

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is entered into by and between the Washington State Department of Health (the "Department"), Signature Healthcare Services, LLC ("Signature"), and the Alliance for South Sound Health (the "Alliance") with its members Catholic Health Initiatives-Franciscan Health ("CHI Franciscan") and MultiCare Health System ("MultiCare"), (collectively, the "Parties"). The purpose of this Agreement is to settle all issues arising under *Signature Healthcare Services, LLC v. Washington State Department of Health*, Pierce County Superior Court, No. 17-2-07040-3.

Both the Alliance and Signature applied to the Department for a Certificate of Need ("CN") to build a new psychiatric hospital in Pierce County, Washington. Signature filed an initial application on November 10, 2014 and an amended application on February 23, 2015 (Application #15-15). The Alliance applied on December 16, 2014 (Application #15-19). The Department's CN Program reviewed the applications concurrently and released the CN evaluation on February 1, 2016. The Department's CN Program denied Signature's application and approved the Alliance's application. Signature challenged the Program's decision in an administrative proceeding. The Department issued the Findings of Fact, Conclusions of Law, and Final Order on March 16, 2017, which granted the Alliance's CN application and denied Signature's CN application. Signature petitioned for judicial review in Pierce County Superior Court.

The Parties wish to resolve their dispute regarding these CN applications, and accordingly agree as follows:

1. The Parties will present to the Court stipulations and a proposed order, copy attached as **Exhibit A**, remanding the proceeding to the Department of Health. This Agreement is void if the Court does not grant the remand order.
2. Within 30 days of remand, the Department must withdraw or vacate its Final Order and issue a new Final Order consistent with this Agreement. Contemporaneously, the Department must issue an intent-to-issue letter, copy attached as **Exhibit B**, stating the Department's intent to issue Signature a CN, conditioned as provided in this Agreement, to establish a 105-bed psychiatric hospital at 4100 South 19th Street, Tacoma, Washington.
3. Signature may apply for an amendment of the intent-to-issue letter for a change of location, pursuant to the procedures for amendment of a CN set forth in WAC 246-310-570. Such application or amendment does not toll deadlines in this Agreement.
4. Signature must obtain all required land use and environmental approvals necessary to commence construction of its project within two years from the date the Department issues the initial intent-to-issue letter referenced in paragraph 2.
5. If Signature fails to timely comply with the obligation to obtain permits in paragraph 4, this Agreement is void, except for Signature's obligations set forth in paragraphs 8-9, which shall remain in effect, and the Department must not issue a CN to Signature pursuant to this Agreement.

6. If Signature timely complies with the obligation to obtain permits in paragraph 4, the Department must execute and issue Signature the CN, attached as **Exhibit C**, for a psychiatric hospital operating a maximum of 105 beds with no more than 90 adult beds and no more than 15 pediatric beds for patients age 5-12. By entering into this Agreement, Signature accepts all CN conditions shown in Exhibit C.

7. Contemporaneously with issuing the CN to Signature in paragraph 6, the Department must execute and issue to St. Joseph Medical Center the CN, attached as **Exhibit D**, to convert its 23 psychiatric beds to acute care beds. If the Department does not issue the CN to Signature, the Department must not issue a CN to St. Joseph Medical Center. The Department will complete the project description chart in the CN to reflect the bed counts at the time of execution, but the Department will make no substantive changes to the CN. By entering into this Agreement, CHI Franciscan accepts all CN conditions shown in Exhibit D.

8. The Alliance, its members CHI Franciscan and MultiCare, and Signature shall not challenge in any forum the CNs issued pursuant to this Agreement or CN #1563 already issued to the Alliance. Signature shall not challenge in any forum the Department's refusal to issue a CN if Signature fails to timely comply with the obligation to obtain permits in paragraph 4.

9. Signature will not oppose or comment upon any application by the Alliance to amend its CN to change the structure of the real estate transaction between the Alliance and MultiCare, e.g., to change from a sale to a lease, and/or to remove conditions 9 and/or 11 to its CN. Signature will not challenge the Department's approval of any such amendment.

10. The corporate entities of Alliance, CHI Franciscan, and MultiCare will not oppose or provide negative comment upon any application by Signature to obtain land use and environmental approval necessary to commence construction of its project.

11. The Parties enter this Agreement to avoid the expense, inconvenience, and uncertainty of further legal proceedings relating to these CN applications. Execution of this Agreement is not an admission by any Party as to the merits of the Parties' legal positions in the above-referenced proceedings. The CNs issued under this Agreement are unique to the circumstances of this Agreement and are not the basis for any future CN decisions.

12. Intent-to-issue letters and CNs issued as part of this Agreement are not relevant to or a basis for any future CN decisions or settlements.

13. This Agreement contains all promises and covenants made by the Parties, and supersedes all prior discussions relating to the subject matter of this Agreement. In executing this Agreement, each Party warrants it is relying solely upon its own judgment and knowledge, and that it is not relying upon any statement or representation made by the other Parties or their representatives or agents, other than what is contained in this Agreement.

14. The Parties acknowledge that they have been represented by counsel in the negotiation of this Agreement and, being fully advised on the legal effect of this Agreement, enter into it freely and voluntarily.

15. Parties acknowledge that they have each participated in the preparation of this Agreement. It shall not be construed for or against any Party.

16. Each of the Party signatories to this Agreement certifies that he or she has the authority to enter into this Agreement on behalf of such Party, and that no further consents or actions are necessary to the execution and enforcement of this Agreement.

17. Washington law governs this Agreement without regard to conflict of law provisions of any jurisdiction. Venue of any action pursuant to this Agreement is in the superior court of Pierce or Thurston County.

18. The Parties may execute this Agreement in one or more counterparts and by PDF copy or facsimile, each of which shall constitute an original binding agreement.

Signature Healthcare Services, LLC

The Alliance for South Sound Health

By: _____

By: _____

Soon K. Kim

William G. Robertson

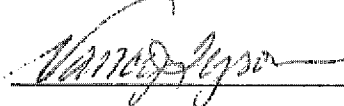
President and Chief Executive Officer

President

Date: _____

Date: _____

Washington State Department of Health

By:  _____

Nancy Tyson

Executive Director, Health Facilities and
Certificate of Need

Date: March 5, 2018

Attachments: Exhibit A, Stipulation and Proposed Order

Exhibit B, Intent to Issue Letter

Exhibit C, Signature CN

Exhibit D, CHI Franciscan